



## Section 2.2

### Capital Budget Grant Request Form

### Watershed Plan Implementation and Flow Achievement

SW - 11 0123  
SW - 11 0123

**Project Title:** Dungeness Water Exchange, Phase 2  
[Dungeness Rule Implementation/Clallam County]

[If your Watershed Plan Implementation and Flow Achievement Request is related to or part of an Operational Project Funding Request for 2009-11 please cross-reference the name of that project in parenthesis above]

**County:** Clallam

**WRIA:** Elwha-Dungeness, Water Resource Inventory Area 18

If more space is needed attach additional sheets

#### 1. Applicant Information

<b>Applicant name</b> Clallam County	<b>Phone no.</b> (360) 417-2415	<b>Fax no.</b> (360) 417-2583
<b>Address</b> Health & Human Services Department; 223 E. 4 <sup>th</sup> Street, Suite 14		
<b>City</b> Port Angeles	<b>State</b> WA	<b>Zip code</b> 98362
<b>Email address</b> abrastad@co.clallam.wa.us		
<b>Water right holder name (If applicable and if other than applicant)</b> NA	<b>Phone Number</b> ( )	<b>Fax Number</b> ( )
<b>Mailing address</b> NA		
<b>City</b> NA	<b>State</b>	<b>Zip code</b>

#### 2. Project Location

<b>Project name</b> Dungeness Water Exchange
<b>Project location</b> Dungeness watershed rule area, primary instream benefit will be to mainstem Dungeness, although the small independent drainages will also be addressed in the water exchange.
<b>Stream reach mile or location</b> Mainstem Dungeness from river mile 10.8 to the mouth.

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### 3. Project Type and Description

(Check all that apply)

Conservation and/or infrastructure improvement  
(pumps and pipes) ☐

Water storage feasibility study ☐

Water exchange or water right acquisition ☒

Please describe your project in detail

#### DESCRIPTION OF PROJECT

Critical shortages of late summer and fall river flows for salmon, lack of availability of year- round water supply, extensive continuity between ground and surface water, and relatively low annual precipitation in the Dungeness watershed all contribute to the need for flow restoration and mitigate effects of future off-stream uses. The ESA listings of four species of fish, the critical status of other Dungeness stocks, and the amount of senior water rights mean the requirements of the OCPI test are difficult to meet during low flows. Instead, current Dungeness rulemaking requires a mitigation program, referred to here as a water exchange. This could involve purchase or lease of existing water rights, increased conservation, increased artificial recharge, efficiency, or use of reclaimed water, or development of new surface or ground water storage.

This proposal is for Ecology to continue working with the County, Tribe, Water Users and an entity familiar with water banking and water right transactions (Washington Water Trust) to assess the most readily-available and cost-effective sources of water and to secure water for the launch of the Dungeness water exchange. Defining the roles, responsibilities, and processes among Ecology, Clallam County, and the water exchange is essential to a successful mitigation program and instream flow and water management rule. Having the water exchange and necessary procedures established this fall (at the time of rule adoption) will ensure an efficient transition to water management under the rule by local authorities, water purveyors, developers, and the public.

Purchase of water for the initial exchange demonstrates a good faith effort by Ecology and others implementing the watershed plan to find additional water for off stream use. It would provide locals with much-needed certainty regarding water supply once the rule is adopted. The water exchange will also serve the flow restoration needs of the main stem Dungeness.

This description includes a summary of the current scope of work for Washington Water Trust's contract and Clallam County, with the additional tasks and funds requested for the next fiscal year brought into the text.

#### Task 1: Feasibility Analysis, Strategy Design

Task 1 will consist of three components:

1. Feasibility Analysis including:
  - Review of Present Conditions and Desired Outcomes
  - Assessment of Conditions for Success for a Water Exchange
2. Preparation of Water Exchange Strategy and Funding Proposals
3. Preparation of Water Exchange Institutional Design

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### Task 2: Acquisition of Water, Pilot Test of Water Exchange (new)

1. *Negotiate (or continue work on) at least one water purchase for instream flow restoration.*
2. *Carry out a test of the exchange, and amend procedures as needed.*

#### Task 1.1 Feasibility Analysis

An assessment of the conditions for success will evaluate how 'ripe' the context is for a water acquisitions program; that is, what is the likelihood of success of various types of water trading under an exchange framework and to what extent will it assist Ecology, tribes and stakeholders in meeting their desired resource management outcome? The Dungeness can be an exemplary case of how to sequence the Exchange creation process properly, i.e., to ensure that the technical and economic elements of the feasibility analysis feed into the preparation of the legal arrangements.

#### Task 1.2 Preparation of Water Exchange Strategy and Funding Proposals

Having evaluated the objectives and feasibility of a Water Exchange to serve the Instream Flow Rule and the needs of tribes, the county and local water users, the next step for the Consulting Team will be to define the strategy of the Exchange and prepare the institutional arrangements through which the Exchange will function.

The strategy pulls together information from the assessment to build a picture of how the Exchange can achieve its objectives in its target reaches. The strategy will include the following elements:

- the types of transactions (leases, purchases, conservation projects, point of diversion changes, transfers, etc.) that can be employed to meet target flows and in what quantities
- the likely sellers of water rights and the implications in terms of cooperation and communication
- the pattern in which these transaction types are likely to be used (or unfold) over time and across reaches
- the likely range of costs associated with these transactions
- the recommended approach to extension, pricing, negotiations, contracting and financing for the transactions
- the obstacles and barriers to implementation that will need to be overcome to succeed in the strategy
- the risks and assumptions on which the strategy is based

#### *Added scope:*

- *Work with Ecology and the Water Users, to assess the extent and validity of existing irrigation water rights (to the level considered necessary), and determine potential uses of saved water and limitations.*
- *Draft an addendum to the 1998 MOU or other instrument.*
- *Prepare a detailed assessment of the costs and benefits associated with using water sources currently available or under consideration for mitigation.*

#### Task 1.3 Preparation of Water Exchange Institutional Design

The final component of the first phase and the final step in launching a Water Exchange is to prepare the institutional design for the Exchange. This work component necessarily overlaps with the crafting of the strategy, but like the strategy, will follow the feasibility analysis. The institutional design is aimed at providing a plan for how water rights will move into and out of the Exchange and how financial flows will accompany these changes to water rights. The design work involves establishing:

- pathways by which water rights will be redistributed and the corresponding administrative mechanisms
  - necessary reforms and actions to create an efficient marketplace for redistribution to occur
  - methods and tools the Exchange will employ to buy and sell water rights
  - institutional form and necessary authorities of the Water Exchange
  - contracting, staffing, training and funding needs for operation of the exchange to include the structure, authorities, staffing and funding for a pilot Water Exchange
- *Define in detail the roles and responsibilities of local government in implementing the water exchange, to be included in the MOA between Ecology and the County.*

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### Task 2 Transactional Activities and Exchange Preparation *and Pilot Test*

- *Negotiate at least one water purchase for instream flow restoration/mitigation by the date of rule effectiveness.*
- *Carry out a test of the exchange, amend procedures as needed.*

From the current WWT contract:

#### **A list of proposed deliverables includes the completion of many Phase II activities:**

- The local community is informed about the Exchange and the opportunities to sell water and buy mitigation credits
- Exchange procedures and templates for sale, lease and gift of water rights are prepared
- Exchange procedures and templates for mitigation credit sales under the instream flow rule are prepared
- Databank of potential buyers and sellers is identified and maintained by WWT
- The approach/method to acquiring water is field-tested and refined
- Between three and five funding proposals for capitalization of the bank are prepared and submitted to Ecology and other prospective donors
- Report on findings and lessons learned from the initial pilot experiences with the Exchange implementation framework, as well as final recommendations on near and long-term actions necessary for the Exchange to succeed

Use this box to make any other comments regarding the project and water rights involved

This project request is to continue the work funded by Ecology this biennium to establish the frame work for and perform pilot testing of the Dungeness water exchange. Last year Clallam County applied for watershed plan implementation funds for water acquisition, then requested Ecology to handle contracting (due to lack of county capacity). Ecology has a contract with the Washington Water Trust to do this work (C0-900067).

This proposal extends the schedule, expands the scope of certain tasks related to developing the exchange, and adds funding beginning July 2009. Clallam County and Ecology's role in successful Dungeness Watershed Instream Flow Rule adoption and implementation cannot be exaggerated, given that public acceptance hinges on its confidence that a framework for the water exchange, the exchange has wet water for it operations.

Funding for this proposal is imperative to the success of the Dungeness Instream Flow / Water Management rule.

This project meets Ecology's criteria for a high priority funding request, as it:

- Supports the adoption and implementation of the Dungeness Instream Flow Rule WAC 173-518 (to be adopted fall 2009).
- Clearly implements the obligations of Ecology and Clallam County in the approved Elwha-Dungeness Watershed Plan.
- Has a high benefit for meeting water supply, water quality, and fisheries management objectives.
- Supports, matches and leverages the benefits of numerous other Dungeness water management projects.
- Is urgently needed, with County and Ecology staff ready to start immediately upon acceptance.
- Has the highest likelihood of successful grant management.

Clallam County also submitted an operations budget proposal focused more broadly on developing ordinances to implement all the County's obligations related to Ecology's rule and the watershed plan. This capital budget request proposal focuses on a sub-task of the operations request, on defining the County roles and obligations in implementation of the water exchange. Depending on availability of funding, perhaps this task could be funded under either request.



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Describe the project by task (statement of work)

#### Task 1.2 Preparation of Water Exchange Strategy and Funding Proposals

- 1.2 (a) *Work with Ecology and the Water Users, to assess the extent and validity of existing irrigation water rights (to the level considered necessary), and determine potential uses of saved water and limitations.*
- 1.2 (b) *Draft an addendum to the 1998 MOU between Ecology and the Water Users, or develop another instrument to codify agreements and procedures related to the water exchange.*
- 1.2 (c) *Prepare a detailed assessment of the costs and benefits associated with using water sources currently available or under consideration for mitigation.*

#### Task 1.3 Preparation of Water Exchange Institutional Design

- 1.3 (a) *Provide funding to Clallam County to work with WWT and Ecology to define the roles and responsibilities of local government in implementing the water exchange, to be included in the MOA between Ecology and the County on rule implementation.*

*(This may need to be a separate agreement between Clallam County and Ecology).*

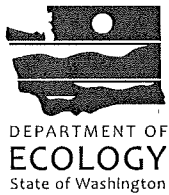
#### Task 2 Purchase of water, pilot test of exchange

- 2.1 *Negotiate at least one water purchase for instream flow restoration/mitigation by the date of rule effectiveness using task two seed capital funding.*
- 2.2 *Carry out a test of the exchange, amend procedures as needed.*

*Contract is extended to June 30, 2010*

## 4. Project Budget

Task 1 Current Budget	\$48,800
Requested additional funds	
Tasks 1.2(a) and (b)	\$50,000 new
Task 1.2(c)	\$20,000 new
Task 1.3(a)	\$45,000 new
Task 2 Current Budget	\$26,200
Requested additional funds	
Tasks 2.1 and 2.2	\$50,000 new
Task 2 Water acquisition:	
water exchange seed capital	\$100,000 new



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Total budget by project task or by expenditure



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#### 5. Funding Source Information

Total project amount expected to be provided by sources other than this program (dollar total and percent of project budget)

Funding initially is coming from the state, but the mitigation portion of the exchange will be self-funding once underway. However the restoration portion of the exchange will rely on outside funding sources. WWT is pursuing additional sources of public and private funding to support the exchange.

Identify sources and type of funding other than through this program grant. Include expected dates of participation. Include as an attachment; letters of commitment, offer letters, application approvals, etc.

Source and type of funding: Funding for mitigation will be coming from development fees or equivalent.

Amount: To be determined, through water exchange. This grant will help determine the fee structure.

Status: To be completed at same time as rule becomes effective, Fall 2009.

Dates of participation: Water will ideally be in the exchange at the time of rule adoption, Fall 2009. From that time on, the water exchange will handle most of the required mitigation program. The County and Ecology are working on an MOA to define our respective roles and obligations in the water exchange and implementation of the instream flow and water management rule.

Source and type of funding:

Amount:

Status:

Dates of participation:

Source and type of funding:

Amount:

Status:

Dates of participation:

Source and type of funding:

Amount:

Status:

Dates of participation:

Source and type of funding:

Amount:

Status:

Dates of participation:

Source and type of funding:

Amount:

Status:

Dates of participation:



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#### 6. Instream Flow and other Instream Habitat Benefits

##### A. Water Right Information - Attach Water Right documents

(You may skip this section if this application is for Storage Feasibility Study funding)

Water right holder's name (if other than applicant)

Members of the Dungeness Water Users Association or other independent water right holders – unknown at this time.

Phone no:

( )

Fax no:

( )

Address

City  
Sequim

State  
WA

Zip code

Complete legal description of the property attached to this water right:

Generally within the irrigated acreage of the companies and districts, from Bell Creek west to Bagley Creek. The primary instream flow benefit will be to the main stem Dungeness.

Water right number:

See attached pages with water right numbers of Water User members.

Parcel number associated with this water right:

Unknown at present.

Do you own the property proposed for this project? If not, please explain:

Unknown at present, will be functioning through the water exchange.

If the grant applicant is not the water right holder, please explain the reason:

Unknown, through the exchange.

Water source (Stream name).

Dungeness main stem, possibly some from other smaller creeks.

##### B. Water Usage

Has water been put to beneficial use in the past five years?

Yes ☒ No ☐ I don't know ☐

Describe that use in terms of the specific beneficial use during that period:

Most likely sources would be irrigation of pasture, hay, alfalfa. All water rights will be scrutinized by Ecology prior to being accepted into the exchange.

(Please attach any available documents that verify that use during the last five years. Include aerial photographs, power company records, flow meter records, crop type records, NRCS documentation or FSA records)

Irrigation diversion records are on-line at Ecology's stream flow measuring pages, and diversions split out by individual companies or districts are also available from them.





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Has beneficial use of this water ceased for a period of five or more years during any period since 1967?  
Yes ☐ No ☒

Please describe the beneficial use for the water quantified under the water right discussed above. Describe the following: purpose (examples: domestic, irrigation, municipal); system type; if irrigation, describe crop type.

Irrigation of hay, pasture, alfalfa, maybe some row crops.

Quantify as nearly as possible current water use:

Instantaneous rate (QI) of use: \_\_\_\_\_ CFS (will be quantified when water right is identified for a transaction. Most of the irrigation diversions per entity run from 8 cfs to 20 cfs.)

Annual rate (QA) of use \_\_\_\_\_ ACRE- FEET

Historic beneficial use quantity of the water right (highest of the last 5 years/ irrigation seasons in instantaneous and annual quantities)

\_\_\_\_\_ CFS \_\_\_\_\_ ACRE- FEET

If irrigation, how many acres are irrigated under this water right?

Are there other water rights associated with this specific water right?

In order to process this pre-application ecology requires the following information (include for the previous five years; please attach copies of all documents and maps)

- ◆ Power data (contact local power utility for pump records, etc.)
- ◆ Historical crop type data (contact local FSA office)
- ◆ Flow meter records (contact local power utility)
- ◆ Aerial photos (contact local FSA office)



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#### C. Estimated Total Water Savings

**Infrastructure projects:** Estimate the water to be conserved through this project. Provide engineering or technical analysis to support this estimate.

MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOT
QA (ACRE-FEET)													
QI (CFS)													

#### D. Additional Instream Benefits

Describe other instream benefits envisioned as a result of funding this project -

Some instream flow benefits will be direct; others in this list will be associated with implementation of the instream flow and water management rule, the exchange, and the guidance manual.

- Increased flows at critical low flow times, including post-irrigation weeks (9/15 – 11/15).
- Protection of existing and future restored stream flow by having a functional system for mitigation through the water exchange.
- Opportunity to have a specific instream flow benefit as part of the exchange's mitigation and credit system (e.g. 3:1 mitigation for new water use).
- Opportunity to renegotiate some points of the TWR MOU to limit future acreage expansion and uses of saved water, and to address the informal agreement on Water Users' part to leave at least 60 cfs below the Sequim Prairie Tri outtake.
- Opportunity to maintain Water Users' enthusiasm for improvements in system efficiency and on-farm practices.
- Opportunity to negotiate with the Water Users to reduce the amount allowed for new residential irrigation in their rules and regulations and to manage lawn watering more intensively.
- A cost/benefit analysis of sources of mitigation water, which will direct investments in infrastructure and water and enable state, federal and local resources to be spent most effectively.
- Establishment of a successful water exchange, with increased certainty of funding by various agencies for projects to benefit the river.
- Successful implementation of Ecology's instream flow and water management rule.
- Increased understanding by the public of opportunities and need to conserve and be efficient in their water use, and of the importance of maintaining and restoring stream flows.
- Better overall management of water resources in the Dungeness valley.
- Increased water quality through reductions in stream temperature.

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#### 7. Resources currently committed to ensure long-term performance of the proposed project (operation and maintenance).

Who is responsible for long-term operation and maintenance of the project?

The Washington Water Trust is responsible for setting up and piloting the water exchange. Part of their work will be to determine long-term operation of the exchange.

Have operation and maintenance costs been identified? Yes ☐ No ☐

If yes, please describe:

Summarize these costs on an annual basis below:

Unknown at this time. The Washington Water Trust will identify several possible sources of water for the exchange, and follow up on at least one of them to launch the exchange.

Are measurement devices other than diversion source meters necessary to monitor compliance with the project intent or plan? Yes ☐ No ☐ Unknown – will probably require a diversion source meter and a measuring device on the delivery split, if applicable.

If yes, please describe:

Does a water measurement device exist on the source and downstream of the proposed project?  
Yes ☒ No ☐

If no, will a water measurement device be installed as part of this project? Yes ☐ No ☐

If yes, describe location and operating entity:

For the most part each irrigation diversion on the river has a downstream irrigation diversion that is also measured. (No direct stream flow measurement.)

If yes, provide the river mile: [various]

What is the nearest stream gage downstream of the proposed project?

Source name: Dungeness River, <https://fortress.wa.gov/ecy/wrx/wrx/flows/station.asp?sta=18A050>

River mile: Schoolhouse Bridge gauge at river mile 0.8

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### 8. Proponent's Readiness to Proceed

Describe status of feasibility reports, engineering design, and permits. Provide documentation for these deliverables and describe the project effort timeline as appropriate (submit two (2) copies of all required documents).

This is the second phase of an ongoing effort to set up and put water into the Dungeness water exchange.

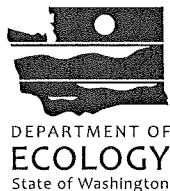
Does the project proponent own the land for the proposed project? If not, does the proponent have documented access to the right of way or owns an easement to the property proposed (please attach appropriate documentation including title report as applicable).

#### Design/Engineering Status:

Pre-planning (pre - permitting)	<input type="checkbox"/>	Status:
Pre-design (design reports) (10%)	<input type="checkbox"/>	Status:
Schematic design (30%)	<input type="checkbox"/>	Status:
Design development (75%)	<input type="checkbox"/>	Status:
Construction documents (95%)	<input type="checkbox"/>	Status:
Bid documents (ready for bid)	<input type="checkbox"/>	Status:

#### Permit Status

SEPA	<input type="checkbox"/>	Status:
401	<input type="checkbox"/>	Status:
Dept. of Fish and Wildlife consultation	<input type="checkbox"/>	Status:
Storage and/or Secondary Use Permit	<input type="checkbox"/>	Status:
Other: ( _____ )	<input type="checkbox"/>	Status:
Other:( _____ )	<input type="checkbox"/>	Status:
Other: ( _____ )	<input type="checkbox"/>	Status:



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### 9. Signatures (send this sheet electronically and by original signature in surface mail)

I certify that the information above is true and accurate to the best of my knowledge.

I understand that in order to process my application, I am hereby granting staff from the Department of Ecology access to the above site(s) for inspection and monitoring purposes.

If assisted in the preparation of the above application, I understand that all responsibility for the accuracy of the information rests with me.

I also understand that I may rescind this application at any time prior to signing the Agreement with no other obligations or requirements.

  
(Applicant/ Grant Recipient)

12 / 31 / 08  
(Date)

\_\_\_\_\_  
(Water Right Holder)

\_\_\_\_ / \_\_\_\_ / \_\_\_\_  
(Date)

\_\_\_\_\_  
(Land Owner(s) of Existing Place of Use)

\_\_\_\_ / \_\_\_\_ / \_\_\_\_  
(Date)

For More Information Contact:

Dave Burdick

**Voice:** (360) 407-6094

**Email:** [dbur461@ecy.wa.gov](mailto:dbur461@ecy.wa.gov)

**Web:** <http://www.ecy.wa.gov/watershed/Index.html>

APPENDIX A  
ADJUDICATED WATER RIGHT CERTIFICATES DECREED BY SUPERIOR  
COURT, 1924

Agnew (formerly Macleay-Lindsay)  
Irrigation District

Priority date: 1918  
146 cubic feet per second  
Vol. 2, p. 237 Water Right Certificates 1924

Clallam Ditch Company

Priority date: 1902  
60 cubic feet per second  
Vol. 2, p. 224 Water Right Certificates 1924

Cline Irrigation District

Priority date: 1919  
46 cubic feet per second  
Vol. 2, p. 238 Water Right Certificates 1924

Dungeness Irrigation Company

Priority date: 1911  
70.94 cubic feet per second  
Vol. 2, p. 234 Water Right Certificates 1924

Dungeness Irrigation District

Priority date: 1921  
42 cubic feet per second  
Vol. 2, p. 239 Water Right Certificates 1924

Eureka Irrigation and Milling Company

Priority date: 1897  
23.08 cubic feet per second  
Vol. 2, p. 221 Water Right Certificates 1924

Highland Irrigation District

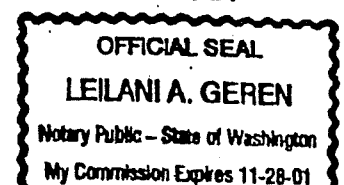
Priority date: 1915  
70.14 cubic feet per second  
Vol. 2, p. 235 Water Right Certificates 1924

Independent Irrigation Company

Priority date: 1906  
40 cubic feet per second  
Vol. 2, p. 232 Water Right Certificates 1924

Sequim Prairie Ditch Company

Priority date: 1895  
20 cubic feet per second  
Vol. 2, p. 220 Water Right Certificates 1924



Dave,

These are the  
Dunfermess water rights  
that would most  
likely be subject to  
use by the water  
exchange.

I told the County Ed  
send a list, to be  
attached to their  
capital grant request -

Can you please include?

Cynthia

Thanks -